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BUSINESS

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EX-JITEC CEO LAUNCHES $117-MILLION LAWSUIT AGAINST QSC, B3

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Dollar's growth could persist

JAY BRYAN
OPINION ON SOARING LOONIE

"The surge seems connected to growing worry about the U.S."

If it were all about Canada, the dollar's remarkable rise – touching a 10-year high yesterday just above 77 cents – would suggest the Canadian economy is an irresistible force. In fact, that isn't quite the case.

The surge in the loonie over several days does reflect unexpected strength in Canadian economic growth, most recently evidenced in two key areas: employment and housing construction.

But it seems to be even more connected to a rising tide of worry about the U.S. that is washing over the big global investors who used to pour investment funds into that country. The latest thing to worry about is the massive projected cost of the U.S. effort in Iraq, with the stunning degree of violence deployed by anti-American forces leaving little reason for optimism that conditions will improve.

Against this backdrop, the greenback is weakening everywhere. Yesterday it hit a six-year low against Australia's dollar, a five-year low against the British pound and was near a three-year low against Japan's yen.

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Loonie reaches 10-year high

BREACHES 77-CENT BARRIER BEFORE FALLING

But surge in currency is a major concern as it threatens to depress Canadian exports

ERIC BEAUCHESNE
CANWEST NEWS SERVICE

OTTAWA – The soaring Canadian dollar briefly breached the 77-cents (U.S.) level yesterday for the first time in a decade, propelled by investor disenchantment with the sinking U.S. greenback and the improving outlook for the Canadian economy.

However, the further surge in the currency, which some analysts say could be worth more than 80 cents U.S. before the year is out, doesn't bode well for the Canadian economy, threatening to depress exports and the earnings of Canadian producers whose products are priced in U.S. dollars.

The dollar reached 77.04 cents U.S., its highest level in 10 years, leaving the U.S. dollar worth just under 1.30 Canadian, before easing back to 76.68 cents. The closing level, however, was still more than half a cent higher than its close of 76.17 cents Tuesday.

The strong dollar's impact on the economy is the Bank of Canada's major concern, RBC economist David Wolf said.

However, Wolf noted the strong dollar's depressing impact on exports and earnings is being offset somewhat because it has dampened inflation and allowed the Bank of Canada to keep interest rates lower than they would have been, which is boosting spending by Canadians.

The Canadian dollar's resurgence follows news of surprisingly strong job growth last month and further evidence of a strong housing market. Those indicators have reduced odds the Bank of Canada will cut rates further this year, leaving official rates here nearly two full percentage points above those in the U.S.

"So long as the economic data at home and abroad continue to improve, the Bank of Canada will not cut rates again," Wolf said, adding that's the most likely scenario. "Nor do we see the Bank of Canada inclined to raise rates any time soon."

However, according to a rule of thumb used by the Bank of Canada, the impact of the more than 20-per-cent increase in the value of the dollar this year is equivalent to a seven percentage point hike in interest rates.

Economists at CIBC World Markets estimate the stronger dollar will cut economic growth next year by two percentage points unless the central bank cuts interest rates significantly.

Gateway to innovation

GORDON BECK THE GAZETTE

Marc Poulin, president of Camions Millenium, demonstrates the auto-door closing feature of his ergonomically designed "Millenium" delivery truck at the Quebec exports and manufacturing show at Palais des congrès.

Fund to dump Gildan shares

QFL's Solidarity will unload stock over Honduras controversy

DON MACDONALD
THE GAZETTE

The giant Solidarity Fund will sell off its block of shares worth about $90 million in **Gildan Activewear Inc.** over allegations the company fired dozens of workers for trying to unionize a plant in Honduras.

The Solidarity Fund, which is affiliated with the Quebec Federation of Labour, said it will gradually liquidate its 2.5 million Gildan subordinate voting shares "at opportune times." As well, the fund's representative on Gildan's board of directors has resigned.

"These decisions stem from a fundamental disagreement between the fund and Gildan with respect to employees who were fired last year in Honduras," the fund said in a statement made public yesterday. "The fund believes that Gildan hindered the workers' right to association recognized in Honduras, an opinion not shared by Gildan."

Gildan reiterated yesterday its position that it didn't fire workers in Honduras for trying to organize a union. It maintained its operations set a high standard of social responsibility, offering an "ethical and stimulating work environment" that conforms to all local legislation.

Vice-president Stéphane Lemay said the workers at its sewing facility in El Progreso, Honduras, were part of a group of 200 employees laid off in November 2002 for reasons related to the business cycle.

Last February, the Solidarity Fund, which has $4.6 billion in assets, threatened to unload its stake in Gildan if it substantiated allegations the company had fired 38 workers for trying to organize a union in El Progreso.

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INSIDE

GM aims to win over Quebecers

General Motors rolled into town yesterday hoping to sell its new line of smaller, affordable cars in a market that has proven tough for the auto manufacturer. Page B3

TODAY'S AGENDA

In Toronto, **Canadian Pacific Railway** chief executive Rob Ritchie speaks at a breakfast meeting at the **Toronto Board of Trade.**
Statistics Canada reports on manufacturing.
The **Canadian Apartment Properties Real Estate Investment Trust** holds conference call to discuss its latest quarterly results.
InvEst Real Estate Investment Trust, which holds Canada's largest hotel portfolio, issues third-quarter earnings.
The **U.S. Labour Department** reports on producer prices and the **Commerce Department** reports on retail sales for October.
The **U.S. Federal Reserve** reports on industrial production for October.
Bridges.com Inc., annual shareholders meeting, 1 p.m., Kelowna, B.C.

Exhibitors hope two-day show ignites Quebec's export market

VALUE OF GOODS SOLD ABROAD IN DECLINE

Association launches 3-prong strategy during forum at the Palais des congrès

SHEILA McGOVERN
THE GAZETTE

After 10 years of repairing delivery vans and listening to drivers complain about their vehicles, Marc Poulin concluded there had to be a better way to build the things.

So he invested four years of his life and about $1 million to come up with a van that is easier to maintain and more comfortable to use. Now he needs someone to back his vision. Poulin is among more than 100 exhibitors taking part in a special two-day show and forum designed to invigorate Quebec's sluggish export market.

The total value of Quebec's exports slid to $66 billion in 2002 from $74 billion in 2000, said Claude Tardif, vice-president of the Quebec Manufacturers & Exporters, which represents a variety of businesses in the export trade and is sponsoring the show. Every $1 billion gained or lost affects 11,000 jobs, he said, and with the Canadian dollar gaining strength, making Quebec goods more expensive abroad, he's not very optimistic about the near future.

So the association has launched a three-prong strategy to promote innovation, best business practices and networking – all of which come together at the forum. It's the association's first event of this kind.

About 107 exhibitors have taken over the Palais des congrès, promoting everything from new software programs to improved yogurt to breakthrough medical devices – to Poulin's truck.

At the same time, the association is running forums on topics such as hedging against currency fluctuations, using electronic documents to ensure the necessary information arrives in port before your ship does, and dealing with the tighter U.S. security rules for cross-border shipments.

And it's promoting networking – getting to know, share information or team up with – other partners in Quebec or elsewhere. The show has attracted delegations from China, France, Lithuania, Germany, Belgium, the Netherlands, North Africa, Malaysia and the U.S.

It was the opportunity to network and seek out potential partners that brought Poulin to the show.

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